BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U-60-W), a California corporation, for an order (1) authorizing it to increase rates for water service by \$94,838,100 or 16.5% in test year 2017, (2) authorizing it to increase rates by \$22,959,600 or 3.4% on January 1, 2018, and \$22,588,200 or 3.3% on January 1, 2019, in accordance with the Rate Case Plan, and (3) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.

Application 15-07-015 Filed July 9, 2015

JOINT CASE MANAGEMENT STATEMENT

I. INTRODUCTION

Pursuant to the January 7, 2016, Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, and the May 9, 2016, Email Ruling Notifying Parties of Schedule, California Water Service Company (U-60-W) ("Cal Water") respectfully submits this Joint Case Management Statement on behalf of parties in this case who responded to requests for information (see Responding Parties identified below).

II. RESPONDING PARTIES

The following parties provided information to populate this filing:

- Office of Ratepayer Advocates ("ORA")
- Jeffrey Young
- Leona Valley Town Council
- City of Bakersfield
- City of Visalia
- County of Kern
- County of Lake

III. EVIDENTIARY HEARINGS OR WORKSHOPS

With regard to the issues in dispute identified in this filing, parties either support resolving them through evidentiary hearings, or did not express a preference.

The exceptions are the issues relating to affordability, identified as Issues B.1 and B.2, below.

- ORA, Jeffrey Young, and the City of Bakersfield oppose holding a workshop to address these issues.
- Cal Water recommends a workshop to address these issues.
- The County of Lake stated a willingness to participate in either a workshop or evidentiary hearings.

IV. SPECIFIC STATEMENTS OF PARTIES

A. City of Bakersfield

The City of Bakersfield has participated in ongoing settlement negotiations with Applicant California Water Service Company ("Cal Water") but has not reached settlement on any issues. While settlement negotiations may continue, the following issues remain contested in this proceeding. For these issues, City of Bakersfield recommends an evidentiary hearing.

- 1. Reasonableness of the overall rate increases (revenue requirement) proposed for the Bakersfield District, inclusive of all operating expenses and capital costs and the costs of all operating or customer-related programs. In particular, this issue includes, but is not limited to, Cal Water's proposed capital budget (plant). (Issue Section "A" as identified in the January 7, 2016 Scoping Memo.)
- 2. Cal Water's proposed recovery of \$4,676,312.49 dollars of design costs for the South Bakersfield Treatment Plant as a water treatment expense. Bakersfield opposes any recovery of expenses related to the South Bakersfield Treatment Plant.
- 3. Cal Water's proposed consolidation of the Bakersfield District and Kern River Valley District (Application, Special Request No. 1).

B. County of Lake

As to the non-procedural issues between the County of Lake and Cal Water, there are no issues that have been finalized or settled, but the County of Lake continues to participate in

further settlement discussions with the other parties. The County of Lake cannot speak to any tentative agreements entered into between Cal Water and ORA.

A main contested issue is affordability and of its related subjects (e.g. WRAM consolidation, etc.). Again, the County of Lake is continuing to participate in further settlement discussions as to this issue.

V. STATUS OF ISSUES FOR OTHER RESPONDING PARTIES

The following list of issues is based upon the January 7, 2016 Scoping Memo in this proceeding. For issues settled in concept, references to testimony are provided.¹

A. The just and reasonable test year 2017 and post-test year 2018 and 2019 revenue requirements, inclusive of all operating expenses and capital costs and the costs of all operating or customer-related programs necessary to provide safe and reliable water service in the test year, including:

- 1. Whether Cal Water's proposed revenue rate increases for test and escalation years are reasonable and justified, including sales, revenue, consumption, and number of customers;
- > Settled in concept.
 - ORA: Report on Sales and Rate Design
 - CWS: Report on the Results of Operations (district-specific), Chapters 2-4;
 Rebuttal Book 1 (General Rebuttal)
- 2. Whether Cal Water's estimate of its operation and maintenance, and administrative and general expenses are reasonable, including payroll, conservation, and payments from polluters;
- > Settled in concept except for:
 - Conservation turf replacement budget for Visalia
 - South Bakersfield Treatment Plant expense
- Citations for settled issues:
 - ORA: Report on Operating Expenses for Districts and Customer Support
 Services

¹ Issues identified as "settled in concept" are subject to review and approval by ORA management prior to becoming final.

- CWS: General Report, Chapters 4-6; Report on the Results of Operations
 (district-specific), Chapters 5-6; Direct Testimony, Chapter 1.B and Chapter 2.U;
 Conservation Report; Rebuttal Book 1 (General Rebuttal)
- 3. Whether Cal Water's proposed additions to plant are accurate, reasonable, and justified, including construction work in progress; and
- > In dispute
- 4. Whether Cal Water's general office expenses and capital additions are reasonable, including cost allocations, insurance, pension and benefits, and overhead rates.
- > Settled in concept (except for capital additions as referenced in Issue A.3).
 - ORA: Report on Operating Expenses for Districts and Customer Support
 Services; Report on Payroll & Benefits; Report on Plant CSS.
 - CWS: General Report, Chapters 5, 6, and 11; Direct Testimony, Chapter 3.F;
 Rebuttal Book 1 (General Rebuttal)
- B. Cal Water's special requests (1 through 21):²
 - 1. Special Request: Affordability and District Consolidation.

Whether the Commission should approve Cal Water's request to consolidate the following existing areas into regional districts for rate making purposes:

- a) Northern Region Chico, Oroville, Marysville, and Willows;
- b) Bay Area Region Redwood Valley (Lucerne, Unified, Coast Springs) and Bayshore:
- c) Kern County Region Kern River Valley and Bakersfield;
- d) Los Angeles County Region Antelope Valley (Lancaster, Leona Valley, Fremont Valley, Lake Hughes) and Palos Verdes; and
- e) Monterey Region Salinas and King City
- > In dispute.
- 2. Special Request: Phasing out the Rate Support Fund (RSF) Program.

Whether the Commission should approve Cal Water's request to phase out the RSF program, which currently provides a rate subsidy to all customers in a number of

² Also note that Cal Water's special request for an additional process for tariff development is settled in concept, and the request for a deadline for intervention is now moot.

small, high-cost areas (RSF areas), and is funded by all CalWater customers (except Low-Income Rate Assistance (LIRA) customers in RSF areas). The regional consolidation described in special request 1 would be a necessary step for a phase out.

In dispute.

3. Special Request: Remove Cap on LIRA Benefits.

Whether the Commission should approve Cal Water's request to remove the current limitation on monthly LIRA benefits.

> Settled in concept

- ORA: Report on Sales & Rate Design
- CWS: Direct Testimony, Chapter 2.C; Rebuttal Book 1 (General Rebuttal)
- 4. Special Request: Monthly Cross-Connection Fee.

Whether the Commission should approve Cal Water's request to establish a monthly fee of \$1.50, to be charged to each residential and commercial customer with an installed cross-connection control assembly.

Settled in concept

- ORA: Report on Special Requests and Selected Balancing and Memo Accounts
- CWS: Direct Testimony, Chapter 2.H; Rebuttal Book 1 (General Rebuttal)
- Special Request: East Los Angeles Recycled Water Tariff.

Whether the Commission should approve Cal Water's request to establish a new tariff in its East L.A. District to allow CalWater to take recycled water from its wholesaler, Central Basin Municipal Water District and resell it to irrigation and industrial customers already using potable water from Cal Water's system.

> Settled in concept

- ORA: Report on Sales & Rate Design
- CWS: Direct Testimony, Chapter 2.P; Rebuttal Book 1 (General Rebuttal)
- 6. Special Request: Requesting Construction Work in Progress (CWIP) in Rate Base.

Whether the Commission should approve Cal Water's request to put CWIP balances in rate base and to modify any Commission-approved procedures and requirements needed to reflect this change in ratemaking approach.

> In dispute

7. Special Request: Eliminating 10% Cap on Water Revenue Adjustment Mechanism (WRAM) Amortization.

Whether the Commission should approve Cal Water's request to eliminate the current annual cap on the levels of authorized revenue that CalWater can recover from customers through the WRAM/Modified Cost Balancing Account mechanisms.

> Settled in concept

- ORA: Report on Sales & Rate Design
- CWS: Direct Testimony, Chapter 2.E; Rebuttal Book 1 (General Rebuttal)
- 8. Special Request: Continuation of the Sales Reconciliation Mechanism (SRM).

Whether the Commission should approve Cal Water's request to continue the SRM, with modifications.

> Settled in concept

- ORA: Report on Sales & Rate Design
- CWS: Direct Testimony, Chapter 2.F; Rebuttal Book 1 (General Rebuttal)
- 9. Special Request: Continued Authorization for Balanced Payment Plan.

Whether the Commission should approve Cal Water's request to extend the authorization received in D.14-08-011 to implement a Balanced Payment Plan for customers in the upcoming GRC period.

> Settled in concept

- ORA: Company-Wide Report, Chapter 1, Section D
- CWS: Direct Testimony, Chapter 2.G; Rebuttal Book 1 (General Rebuttal)
- 10. Special Request: Increase in Water Supply Fees.

Whether the Commission should approve Cal Water's request to modify the special facilities fee (sometimes referred to as a lot fee) in Bakersfield, Chico, Dixon, Marysville, Salinas, Selma, Visalia, and Willows and to update the language in Rule 15.C.1.e.

> Settled in concept

ORA: Report on Special Requests and Selected Balancing and Memo Accounts

- CWS: Direct Testimony, Chapter 2.1; Rebuttal Book 1 (General Rebuttal)
- 11. Special Request: Separate Applications for Building Improvements.

Whether the Commission should approve Cal Water's request for authority to file applications outside of this proceeding for new buildings or building improvements in Bear Gulch, Los Altos, Livermore, and Visalia.

- > Settled in concept
 - ORA: Company-Wide Report, Chapter 1, Section D
 - CWS: Direct Testimony, Chapter 2.T; Rebuttal Book 1 (General Rebuttal)
- 12. Special Request: Waiver of Additional Customer Notice.

Whether the Commission should approve Cal Water's request to waive additional customer notice under Rule 3.2 (c-d) or General Order 96-B should the actual escalation-year increase exceed that noticed in the application.

- > Settled in concept
 - ORA: Company-Wide Report, Chapter 1, Section D
 - CWS: Application, pages 16-17; Rebuttal Book 1 (General Rebuttal)
- Special Request: Coordination with Certain Open Commission Proceedings.

Whether the Commission should approve Cal Water's request that the final decision in this proceeding reflect the outcomes, if any, of the following open proceedings: (a) a proposed Los Altos recycled water tariff for a new Apple campus (Advice Letter 2158); (b) a request for a memorandum account for asbestos-related litigation (A.04-09-003); and (c) a request for financing (A.15-04-021).

- Settled in concept
 - ORA: Company-Wide Report, Chapter 1, Section D
 - CWS: Application, page 17; General Report, Chapter 2.D; Rebuttal Book 1
 (General Rebuttal)
- 14. Special Request: Permanent Conservation Rate Design.

Whether the Commission should approve Cal Water's request to adopt the Conservation Rate Design Pilot as a permanent component of Cal Water's rate structure.

Settled in concept

- ORA: Report on Sales & Rate Design
- CWS: Application, page 17; Rebuttal Book 1 (General Rebuttal)
- 15. Special Request: Recognize Subsequent Offsets in Final Rates.

Whether the Commission should approve Cal Water's request that the Commission formally recognize offset filings when new rates are approved.

> Settled in concept

- ORA: Company-Wide Report, Chapter 1, Section D
- CWS: Direct Testimony, Chapter 2.Q; Rebuttal Book 1 (General Rebuttal)
- 16. Special Request: Additional Memo and Balancing Accounts Requests.

Whether the Commission should approve Cal Water's request to modify the following balancing and memorandum accounts:

- a) Methyl tertiary butyl ether proceeds (Preliminary Statement F): Cal Water's proposal to distribute the remaining settlement proceeds in this account;
- b) LIRA Memo Account Amortization (Preliminary Statement H): Cal Water's proposal to review lingering balances for amortization via a Tier 1 advice letter.
- c) Eliminating the Credit Card Memo Account (Preliminary Statement J2): See Special Request 17 below.
- d) Eliminating the HomeServe Memo Account (Preliminary Statement Q). Cal Water's proposal to transfer the residual balances to the District Balancing Accounts and eliminate this account.
- e) Eliminating the Tort Litigation Memo Account (Preliminary Statement U).
- f) Modifying the TCP Litigation Memo Account (Preliminary Statement W): CalWater requests authority to amortize the balances in this account.
- g) Operational Energy Efficiency Program (OEEP) Amortization (Preliminary Statement X): Cal Water's proposal to include the authorized OEEP capital projects in the beginning plant balance for this GRC and implement surcharges to recover the carrying costs for these projects via a Tier 1 advice letter.
- h) Pension Cost Balancing Account: Cal Water's proposal to track the difference between actual and authorized pension costs.
- i) Health Cost Balancing Account: Cal Water's proposal that a modified version of the current Health Cost Balancing Account, which tracks 85% of the difference between actual and authorized employee medical costs, continue for the 2017-2019 GRC period.

- j) 2010 Tax Act (Bonus Depreciation L-411) Amortization (Preliminary Statement AE): CalWater requests amortization of the bonus depreciation tax benefits tracked in this account as a credit to ratepayers through a Tier 1 advice letter.
- k) Drought Memo Account Amortization (Preliminary Statement AL): Cal Water's proposal to amortize balances in this account via Tier 1 and Tier 2 advice letters and to amortize future balances on an annual basis to avoid the aggregation of large balances as the need for drought expenditures continues.
- I) Modifying the Rate Support Fund Balancing Account (Preliminary Statement AM): Cal Water's proposal for an annual true-up of this account through recalculation of the Rate Support Fund surcharge on an annual basis.
- m) Amortizing the East L.A. Memo Account (Preliminary Statement AQ): Cal Water's proposal to amortize the carrying costs of the projects tracked in this account and eliminate this account.
- n) Eliminating the Sales Reconciliation Mechanism Balancing Account (Preliminary Statement AR).
- o) Old Interim Rate Surcharge Residuals: Cal Water's proposal to transfer the residuals from some "old

interim rate surcharge" to the District Balancing Accounts so that they can be amortized with other residuals.

> Settled in concept

- ORA: Report on Special Requests and Selected Balancing and Memo Accounts;
 Report on Payroll & Benefits; Report on Plant Common Issues; Report on
 Plant by Brian Yu.
- CWS: General Report, Chapter 3.F; Direct Testimony, Chapter 2; Rebuttal Book
 1 (General Rebuttal)
- 17. Special Request: Permanent Credit Card Program.

Whether the Commission should approve Cal Water's request to eliminate the memo account associated with Cal Water's current Credit Card Pilot Program (Preliminary Statement J2) and make its credit card program permanent.

> Settled in concept

- ORA: Report on Special Requests and Selected Balancing and Memo Accounts
- CWS: Direct Testimony, Chapter 2.K; Rebuttal Book 1 (General Rebuttal)
- 18. Special Request: Temporary Metered Service Tariff.

Whether the Commission should approve Cal Water's request that the Commission authorize the inclusion of a tariff for metered water service furnished for customers engaged in temporary activities, such as construction, within its service areas to reflect a standardization of practices across Cal Water's districts.

> Settled in concept

- ORA: Report on Operating Expenses for Districts and Customer Support Services
- CWS: Direct Testimony, Chapter 2.N; Rebuttal Book 1 (General Rebuttal)
- 19. Special Request: Public and Private Fire Protection Tariffs.

Whether the Commission should approve Cal Water's request for authority to eliminate a series of legacy and unneeded tariffs for public fire hydrant charges and to standardize the rates for fire services across all districts and add clarifying language to its service to Privately Owned Fire Protection Systems Tariffs.

> Settled in concept

- ORA: Company-Wide Report, Chapter 1, Section D
- CWS: Direct Testimony, Chapter 2.0; Rebuttal Book 1 (General Rebuttal)

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20. Special Request: Rule 15 (Main Extensions) Clarifications.

Whether the Commission should approve Cal Water's request to make clarifying language to its Rule 15 – Main Extensions.

> Settled in concept

- ORA: Report on Operating Expenses for Districts and Customer Support
 Services
- CWS: Direct Testimony, Chapter 2.S; Rebuttal Book 1 (General Rebuttal)
- 21. Special Request: Water Quality Finding.

Whether the Commission should approve Cal Water's request for a finding from the Commission that all operating districts provide water service that meets or exceeds state and federal drinking water standards and meets the requirements of General Order 103-A.

> Settled in concept

ORA: Report on Plant – Common Issues

CWS: Application, page 21; Direct Testimony, Chapter 1.C.; Rebuttal Book 1
 (General Rebuttal)

C. Whether there are any safety considerations pursuant to Pub. Util. Code § 451 raised by Cal Water's application.

> None

VI. CONCLUSION

Please note that, during the Telephonic Status Conference to be held on Wednesday, July 6, 2016, parties may further refine the positions identified in this filing.

Sincerely,
/ s /

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July 1, 2016